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EHFF INSTITUTE FOR ECONOMIC AND  
BUSINESS HISTORY RESEARCH

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## **Slutrapport för projektet: "Market de-regulation as a discovery process – A comparative study of monopolist behaviour in deregulatory processes in Sweden and Finland?"**

Under 2016 rekvirerade medel har använts för att avsluta det aktuella forskningsprojektet. Arbetet har främst inriktats på skriva manuskript baserade på de tidigare utförda forskningsarbetet. Arbetet med att insamla och digitalisera källmaterial samt uppförandet (kodandet) av det digitala materialet i en relationsdatabas har dock fortsatt under hela projektiden.

Eftersom projektet under dess gång kommit att integreras med andra forskningsprojekt (finansierade av Peter Wallenbergs Stiftelse för Ekonomi och Teknik, Marcus och Amalia Wallenbergs Stiftelse samt Finlands Akademi) kommer det material som samlats in komma att resultera i ett större antal publikationer, utöver de som redovisas här.

Den assistent som rekryterades för projektet under 2015, Fil mag Rasmus Nykvist, har blivit antagen som doktorand vid Örebro Universitet. Hans avhandlingsarbete kommer att baseras på det under projektet insamlade och databaskodade materialet från telekombranschen.

Under projektet har Zeerim Chung samt Eero Aalto rekryterats till Aalto Universitetet i Helsingfors. Båda har blivit antagna till Aalto Universitetet som doktorander (Zeerim 2015 och Eero 2016) med huvudfokus på att fördjupa forskningen som gjorts i detta projekt och jobba vidare med det digitaliserade data och den relationsdatabas som skapats under projektet.

### **Resultat**

Projektet har hittills resulterat i tre vetenskapliga artiklar, varav en redan är publicerad, samt en masteruppsats.

### **Publicerade artiklar**

Ernkvist, M (2015) *"The double knot of technology and business-model innovation in the era of ferment of digital exchanges: The case of OM, a pioneer in electronic options exchanges"* Technological Forecasting and Social Change Volume 99, October 2015, pp 285–299 består



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av en fallstudie studie av hur monopolisten Stockholmsbörsen, respektive utmanaren Optionsmäklarna (OM), agerade när elektronisk börshandel etablerades.

*Abstract: The discontinuous shift to an electronic exchange system has been a catalyst for extensive transformation of financial markets during the last decades. Previous research has proposed that there are prohibitive regulatory barriers for de novo entrants with limited resources to introduce discontinuous technological innovations and novel business models in finance. We challenge this notion by studying the techno-social transformative process of the first decade of OM, a Swedish de novo entrant that introduced the world's first commercially successful electronic options exchange and the first for-profit exchange. Our analysis reveals that this entrant had a key role in both the technological and regulatory construction of the new market through a bricolage technological development process and behaved as a proactive corporate political entrepreneur (CPE). The first phase of the era of ferment in electronic exchange technology was characterized by an adaptive techno-social development context that was open for bricolage technological and business-model experimentation. In the second phase, these experimental lessons were connected to a deliberative regulatory process that enabled the entrant to influence the regulatory process. We conclude by suggesting that an entrant's dual roles as a bricolage technological entrepreneur and as a CPE provide an alternative path for resource-constrained entrants to transform capital markets."*

Turtiainen, Lauri (2014), Catalysts for Organizational Change: Demutualization of Helsinki Stock Exchange, Master thesis publicerad på Aalto Universitetet, Helsingfors

*Abstract: Since the inception of the industry, stock exchanges were typically organized as mutual associations or co-operatives. The predominance of the organizational form was a result of the prevailing institutional, economic and technological conditions during the establishment of most stock exchanges and despite subsequent environmental changes these organizational forms persisted. At the turn of the millennia, most stock exchanges assumed demutualized structures. There is a consensus in existing research that this transformation was mainly driven by globalization and advancements in information technologies. Knowing the antecedents however does not provide explanation how demutualization unfolds and what sensitizes an organization to this change. This thesis addresses these gaps in existing literature.*

*This thesis studies the process through which Helsinki Stock Exchange was demutualized in 1995. Since the beginning of 1980s changes in the operating environment of the Exchange gradually increased the pressure to demutualize. This pressure was a result of the limitations of a co-operative which became apparent as the existing structures were not suitable for the new situation. The pressure accumulated on three levels, which I call "pressure tracks". These*



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*include increasing competition between stock exchanges, lack of financing and the potential to realize the value in stock exchange ownership. Firstly, a co-operative organization cannot perform well under competition. Increasing competition between stock exchanges forced exchanges to pursue ways to improve their competitiveness. However, diverging interests between members, slow decision making and lack of resources made this very difficult. Secondly, a co-operative has limited alternatives to finance investments. The computerization of the stock exchange industry forced heavy investments which were primarily financed through debt. This deteriorated the financial position of exchanges increasing the risk of financial distress. Finally, besides from the face value, there is no value in the participation share of a co-operative as it typically does not yield return in the form of dividend or increase in value. Increasing revenues and the potential to make profit increased the opportunity cost of not realizing the value of the business by converting the participation share into stock, causing pressure to demutualize.*

*While the pressure increased gradually over the two decades, the organizational inertia resisted change until the pressure was symmetrically distributed within the Exchange. This means that the pressure to change had reached all interest groups within the Exchange. Drawing from my findings I make the following propositions. (1) The limitations of a co-operative organizational form become apparent under competition, need for financing, and value realization potential; (2) a co-operative organization becomes sensitive to change when the pressure to change is symmetrical and above a certain threshold level that is determined by organizational inertia; and (3) a co-operative organization is more susceptible to the influence of a single incident that symmetrically increases the pressure to change, than to the influence of an incident that asymmetrically increases the pressure.*

(elektronisk version:

[https://aaltodoc.aalto.fi/bitstream/handle/123456789/13915/master\\_Turtiainen\\_Lauri\\_2014.pdf?sequence=1&isAllowed=y](https://aaltodoc.aalto.fi/bitstream/handle/123456789/13915/master_Turtiainen_Lauri_2014.pdf?sequence=1&isAllowed=y)

### **Artiklar färdiga för publicering**

Lakomaa, E, Ernkvist, M, Gustafsson, R, & Sandström, C, (2016) *“The Monopolist’s Curse. Videotex as social mirror”*) består av en analys av monopolistbeteende i ljuset av ny teknik och konkurrens där införandet av Videotex, en teknik för informationstjänster via telenät som ansågs ha stor potential under 1980-talet, används som fallstudie.

**Abstract:** *“During the late 1970:s and 1980:s, telecom operators across the world developed and deployed Videotex-systems; new public information services usually based on dumb*



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*terminals, of which the most well-known was the French Minitel. The systems were at the time of deployment regarded as the technology of the future but they almost universally failed commercially.*

*In this paper, using an in depth case study based on extensive archival sources from the Swedish Telecom monopoly Televerket, and data from e.g. Finland, France, Australia and the United States, and combining policy, technology, social and business history, the origins and the introduction of Videotex systems are analyzed.*

*It is argued that the systems, both in Sweden and in other countries, could be used as a social mirror, reflecting the contemporary view on computers, industrial policy, and competition. It is also argued that the systems initially made sense in the context of contemporary computer development and market organization, but also that most of them would rapidly have been discontinued had it not been for the monopolist logic of telecom operators. "*

En version av artikeln publicerades på *Asia-Pacific Economic and Business History Conference 2016*, Adelaide, Australien, 11-13/2 2016.

Zeerim Cheung, Mirko Ernkvist, Robin Gustafsson, and Rasmus Nykvist (2016)  
Sensitizing to Pioneering Organizational Configuring: The Origin of Two For-Profit Exchanges

*Abstract: This study aims to advance our understanding on how highly embedded actors become sensitive to pioneering organizational configuring and engage in the creation of a new organizational form that becomes dominant in the industry globally. We study this in the context of stock exchanges, where a radical organizational configuring started in early 1990s from mutual stock exchanges with a main logic of serving members to incorporated for-profit exchanges. Through a comparative case study of Stockholm Stock Exchange (SSE) and Helsinki Stock Exchange (HSE) we follow the process of how they were sensitized to pioneering organizational configuring and became the first and second stock exchange in the world to demutualize and become for-profit exchanges in 1993 and 1995 respectively. We argue that common external drivers affected the global stock exchange environment that demanded a new way of organizing. The local contexts of the two case exchange moderated the effect of these external drivers creating accumulation of misfit in different ways combined with the peer interaction between Nordic exchange stakeholders with diverse experimentation of alternative ways of organizing allowed these exchanges to become the first and second exchange in the world to adopt the new way of organizing.*

En version av artikeln publiceras och presenteras på EGOS (European Group for Organizational Studies) conference i juli 2016 i Neapel.



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## Övriga resultat

Projektdeltagarna har också bidragit till att sprida resultat av forskningen till andra forskare och till allmänheten.

Bland annat har projektdeltagarna presenterat arbetet, med tonvikten på de nya forskningsmetoderna, på en session under *Ekonomisk-historiska mötet* i Umeå 8-10/10 2015 och för Kungliga Bibliotekets grupp för digitalisering. Den komparativa studien av bolagiseringen av Helsingfors och Stockholms börs samt avregleringen av börsen har presenteras i Helsingfors hösten 2015 i ett seminarium med fokus på organisationshistorisk forskning samt i Jyväskylä våren 2015 i ett historikerseminarium.

Vidare kommer forskargruppen att arrangera en session om digitala verktyg för ekonomisk-historisk forskning på *European Business History Conference* i Bergen 25-27/8 2016.

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